

JMK:MK/BC  
F. #2015R00500

**CR 15 - 00139**

U.S. DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK  
CLERK'S OFFICE  
NEW YORK, N.Y.  
10002  
MAR 25 2015 11:53 AM

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

- - - - - X

UNITED STATES OF AMERICA

INDICTMENT

- against -

PHILLIP BAYNES,

Cr. No. \_\_\_\_\_  
(T. 26, U.S.C., § 7206(2); T. 18, U.S.C.,  
§§ 3551 et seq.)

Defendant.

- - - - - X

THE GRAND JURY CHARGES:

**MATSUMOTO**  
**POHORELSKY, M.J.**

INTRODUCTION

At all times relevant to this Indictment, unless otherwise indicated:

1. The defendant PHILLIP BAYNES owned and operated Small Mans Accounting and Tax Service ("Small Mans"), a tax return preparation business located in Brooklyn, New York.
2. Through Small Mans, the defendant PHILLIP BAYNES prepared and caused to be prepared U.S. Individual Income Tax Returns, Forms 1040 ("Forms 1040") and related Internal Revenue Service ("IRS") Schedules and Forms on behalf of clients for submission to the IRS using, among other means, the Electronic Filing Identification Number ("EFIN") assigned by the IRS to Small Mans on or about January 31, 2000.
3. An EFIN was a unique, non-transferable identification number assigned by the IRS to a firm that had completed an IRS electronic filing application to become an

authorized IRS electronic file provider, in order to provide electronic tax return filing services to clients.

4. A Form 1040 was an annual income tax return filed with the IRS by citizens or residents of the United States that reports income and deductions to determine the amount of tax owed or the amount to be refunded to the taxpayer. A Schedule A, "Itemized Deductions" ("Schedule A"), was an IRS form that was attached to a Form 1040 when applicable and was used by taxpayers to claim certain permissible deductions from taxable income. Deductions to be claimed on a Schedule A include, among other things, gifts to charity, job-related and other miscellaneous expenses, such as unreimbursed employee expenses, tax preparation fees and state and local taxes paid. A Schedule C, "Profit or Loss from Business (Sole Proprietorship)" ("Schedule C"), was an IRS form that was attached to a Form 1040 when applicable and was used by a taxpayer to report gross receipts, expenses and profit or loss from a business operated by the taxpayer as a sole proprietorship.

5. The defendant PHILLIP BAYNES prepared false Forms 1040 and related Schedules and Forms for Small Mans' clients for tax years 2008, 2009 and 2010 through a number of means. For example, BAYNES attached Schedules A that reported inflated or fictitious deductions for, among other things, charitable contributions, unreimbursed employee expenses and other miscellaneous expenses. In one instance, BAYNES also attached a Schedule C to a client's Form 1040 for the tax year 2008 that reported a wholly fictitious business and claimed false gross income, false total expenses and a false business loss.

6. The defendant PHILLIP BAYNES's preparation of false Forms 1040 and related Schedules and Forms resulted in clients improperly benefitting from a decrease in the amount of tax due and owing to the IRS.

COUNTS ONE THROUGH THIRTY-ONE  
(Aiding and Assisting in the Preparation of False and Fraudulent Tax Returns)

7. The allegations contained in paragraphs one through six are realleged and incorporated as if fully set forth in this paragraph.

8. On or about the dates set forth below, within the Eastern District of New York and elsewhere, the defendant PHILLIP BAYNES did willfully aid and assist in, and procure, counsel and advise the preparation and presentation to the IRS under the internal revenue laws, of U.S. Individual Income Tax Returns, Forms 1040 and attached Schedules and Forms, for the taxpayers and calendar years set forth below. The returns were false and fraudulent as to material matters, in that they represented in line items set forth in the Forms 1040 and attached Schedules and Forms, that the taxpayers had (1) business income or losses, (2) net profit or losses from businesses, (3) deductions and (4) credits, as set forth below, whereas BAYNES then and there well knew and believed, that said taxpayers were not entitled to claim such line items in the following amounts:

COUNT	TAXPAYER	TAX YEAR	APPROXIMATE FILING DATE	FALSE ITEMS
1	Client #1	2008	April 8, 2009	<ul style="list-style-type: none"> <li>a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$9,719</li> <li>b. Schedule A – Unreimbursed employee expenses – Line 21, \$13,164</li> <li>c. Schedule C – Total expenses – Line 28, \$4,351</li> <li>d. Form 1040, Line 12 – Business income or loss, \$3,996</li> </ul>
2	Client #1	2009	March 22, 2010	<ul style="list-style-type: none"> <li>a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$15,598</li> <li>b. Schedule A – Unreimbursed employee expenses – Line 21, \$13,485</li> </ul>
3	Client #2	2009	February 8, 2010	<ul style="list-style-type: none"> <li>a. Schedule A – Gifts to Charity -Gifts by cash or check – Line 16, \$8,676</li> <li>b. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$10,764</li> <li>c. Schedule A – Unreimbursed employee expenses – Line 21, \$17,629</li> </ul>
4	Client #2	2010	March 1, 2011	<ul style="list-style-type: none"> <li>a. Schedule A – Gifts to Charity -Gifts by cash or check – Line 16, \$7,930</li> <li>b. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$7,095</li> <li>c. Schedule A – Unreimbursed employee expenses – Line 21, \$10,085</li> </ul>
5	Client #3	2008	February 6, 2009	<ul style="list-style-type: none"> <li>a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$6,563</li> <li>b. Schedule A – Unreimbursed employee expenses – Line 21, \$12,872</li> </ul>

COUNT	TAXPAYER	TAX YEAR	APPROXIMATE FILING DATE	FALSE ITEMS
6	Client #3	2009	February 2, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$9,852 b. Schedule A – Unreimbursed employee expenses – Line 21, \$8,947
7	Client #3	2010	March 9, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$12,032 b. Schedule A – Unreimbursed employee expenses – Line 21, \$11,856
8	Client #4	2008	March 19, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$11,698 b. Schedule A – Unreimbursed employee expenses – Line 21, \$13,376
9	Client #4	2009	March 31, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$11,366 b. Schedule A – Unreimbursed employee expenses – Line 21, \$11,719
10	Client #4	2010	March 8, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$13,679 b. Schedule A – Unreimbursed employee expenses – Line 21, \$10,702
11	Client #5	2008	April 14, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$6,580 b. Schedule A – Unreimbursed employee expenses – Line 21, \$10,821

COUNT	TAXPAYER	TAX YEAR	APPROXIMATE FILING DATE	FALSE ITEMS
12	Client #5	2009	March 31, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$9,264 b. Schedule A – Unreimbursed employee expenses – Line 21, \$9,206
13	Client #5	2010	March 30, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$11,415 b. Schedule A – Unreimbursed employee expenses – Line 21, \$7,245
14	Client #6	2008	February 14, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$9,444 b. Schedule A – Unreimbursed employee expenses – Line 21, \$8,648
15	Client #6	2009	February 2, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$8,815 b. Schedule A – Unreimbursed employee expenses – Line 21, \$9,571
16	Client #6	2010	February 25, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$11,339 b. Schedule A – Unreimbursed employee expenses – Line 21, \$8,122
17	Client #7	2008	January 29, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$8,752 b. Schedule A – Unreimbursed employee expenses – Line 21, \$11,612

COUNT	TAXPAYER	TAX YEAR	APPROXIMATE FILING DATE	FALSE ITEMS
18	Client #7	2009	February 2, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$12,686 b. Schedule A – Unreimbursed employee expenses – Line 21, \$11,599
19	Client #7	2010	March 9, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$8,943 b. Schedule A – Unreimbursed employee expenses – Line 21, \$7,399
20	Client #8	2008	January 20, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$5,821 b. Schedule A – Unreimbursed employee expenses – Line 21, \$33,546
21	Client #8	2009	February 4, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$9,274 b. Schedule A – Unreimbursed employee expenses – Line 21, \$25,061
22	Client #8	2010	April 6, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$13,758 b. Schedule A – Unreimbursed employee expenses – Line 21, \$25,264
23	Client #9	2008	February 13, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$3,921 b. Schedule A – Unreimbursed employee expenses – Line 21, \$3,697


COUNT	TAXPAYER	TAX YEAR	APPROXIMATE FILING DATE	FALSE ITEMS
24	Client #9	2009	February 9, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$9,524 b. Schedule A – Unreimbursed employee expenses – Line 21, \$6,389
25	Client #9	2010	February 18, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$6,339 b. Schedule A – Unreimbursed employee expenses – Line 21, \$4,685
26	Client #10	2008	February 23, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$6,149 b. Schedule A – Unreimbursed employee expenses – Line 21, \$9,969
27	Client #10	2009	February 24, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$11,732 b. Schedule A – Unreimbursed employee expenses – Line 21, \$9,859
28	Client #10	2010	March 31, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$11,406 b. Schedule A – Unreimbursed employee expenses – Line 21, \$7,970
29	Client #11	2008	February 19, 2009	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$7,632 b. Schedule A – Unreimbursed employee expenses – Line 21, \$2,140




COUNT	TAXPAYER	TAX YEAR	APPROXIMATE FILING DATE	FALSE ITEMS
30	Client #11	2009	February 24, 2010	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$3,710 b. Schedule A – Unreimbursed employee expenses – Line 21, \$3,724
31	Client #12	2010	April 12, 2011	a. Schedule A – Gifts to Charity other than by cash or check – Line 17, \$4,819 b. Schedule A – Unreimbursed employee expenses – Line 21, \$3707

(In violation of Title 26, United States Code, Section 7206(2); Title 18, United States Code, Sections 3551 et seq.)

A True Bill

  
FOREPERSON

  
LORETTA E. LYNCH  
UNITED STATES ATTORNEY  
EASTERN DISTRICT OF NEW YORK

No.

**UNITED STATES DISTRICT COURT**

EASTERN *District of* NEW YORK

CRIMINAL DIVISION

THE UNITED STATES OF AMERICA

vs.

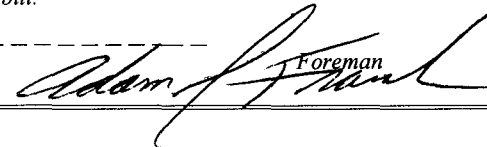
*Phillip Baynes*

Defendant.

**INDICTMENT**

(T. 26, U.S.C., §§ 7206(2); T. 18, U.S.C., §§ 2 and 3551 et seq.)

*A true bill.*

 Foreman

Filed in open court this \_\_\_\_\_ day,

of \_\_\_\_\_ A.D. 20 \_\_\_\_\_

Clerk

Bail, \$ \_\_\_\_\_

*Tiwana Fleming & Brittney Campbell, Tax Division Trial Attorneys (202-305-2370; 202-353-2260)*